CANADIAN NATURAL RESOURCES LIMITED

Nineteen ninety-eight Annual Report

10

Ten years ago we introduced a corporate strategy that continues to work for us today.

A STRATEGY THAT WORKS

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CORPORATE PROFILE

Canadian Natural Resources Limited is a senior oil and natural gas exploration, development and production company based in Calgary, Alberta. With extensive land holdings in Western Canada, the Company has achieved considerable yearly growth in its operating and financial results. One of the largest producers among publicly-traded Canadian oil and gas companies, Canadian Natural's volumes averaged 143,000 barrels of oil equivalent per day in 1998 up from 133,000 barrels of oil equivalent in 1997; reserves at year end were 606 million barrels of oil equivalent. A disciplined adherence to operating principles of effective cost control, manageable bank debt and a defined growth strategy has allowed Canadian Natural to achieve consistent growth over the past ten years.

HIGHLIGHTS	1998	1997	% Change
FINANCIAL ($ millions, except per share data)			
Gross revenue	**877.6**	921.1	-5
Cash flow from operations	**444.2**	503.0	-12
Per share	**4.47**	5.13	-13
Net income	**59.0**	111.3	-47
Per share	**0.59**	1.14	-48
Net reserve replacement expenditures	**581.0**	1,114.5	-48
Long-term debt	**1,425.5**	1,136.3	+25
Shareholders' equity	**1,277.4**	1,204.3	+6
OPERATING			
Natural gas production (mmcf/d)	**672.6**	625.5	+8
Average selling price ($Cdn/mcf)	**2.12**	1.91	+11
Crude oil and NGLs production (bbls/d)	**75,744**	70,619	+7
Average selling price ($Cdn/bbl)	**12.93**	18.82	-31
Natural gas reserves (bcf)			
Proven	**1,905.2**	1,732.7	+10
Probable	**310.5**	363.2	-15
Total	**2,215.7**	2,095.9	+6
Crude oil and NGLs reserves (mmbbls)			
Proven	**287.0**	270.4	+6
Probable	**97.2**	81.0	+20
Total	**384.2**	351.4	+9
Drilling activity (net wells)	**357.9**	711.0	-50
Undeveloped land holdings (000s of net acres)	**4,795**	4,938	-3

Corporate Milestones	1989	1991/1992
	A new management team is introduced with a disciplined corporate strategy, that continues to work for Canadian Natural today.	Canadian Natural learned how to be successful in a low commodity price environment in 1991 and 1992 when natural gas netbacks were only $0.80 and $0.83 per thousand cubic feet, respectively.

To achieve yearly growth in its operating and financial results,

Canadian Natural introduced a three-part strategy in 1989 which has guided our decision-making. These fundamental principles have helped Canadian Natural deliver above average results through cycles of strong and weak commodity prices.

1. Effective cost controls

Canadian Natural continues to achieve low costs in the three cost areas of the business – reserve replacement, operating and administrative costs.

1993	1996	1998
Canadian Natural acquires producing and non-producing lands in Eastern Alberta/Western Saskatchewan forming a new core area and the base for its growth in heavy oil assets.	Through exploration, development and acquisition programs, including the acquisition of Sceptre Resources Limited, Canadian Natural became a significant undeveloped land holder and one of the largest producers among publicly-traded oil and gas companies.	Oil prices reach all-time lows; yet even in this environment, Canadian Natural achieves growth in reserves, production and continues to achieve profitable results.

Canadian Natural has adhered to three key operating principles:

2. Manageable bank debt

Canadian Natural has always maintained a manageable bank debt relative to the size and depth of its asset base.

3. Defined growth strategy

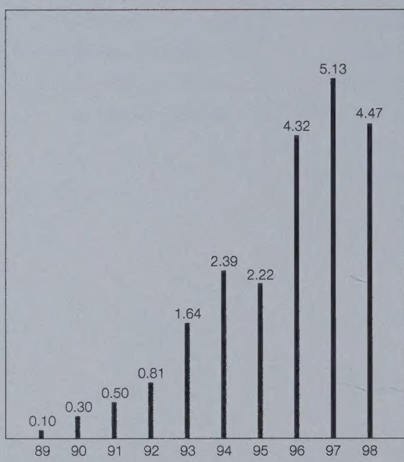
Internally generate prospects.

Control operations through operatorship and 100 percent working interests.

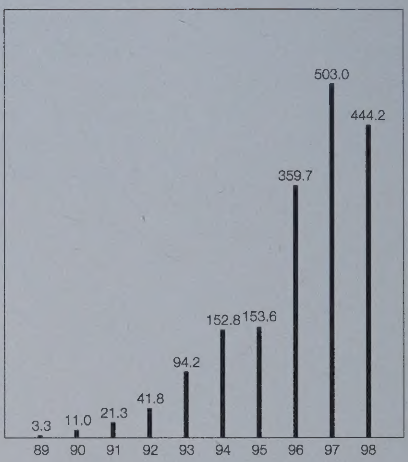
Pursue medium-depth, medium-risk, multi-zone prospects, typically at depths of less than 6,000 feet.

Pursue complementary, strategic property acquisitions.

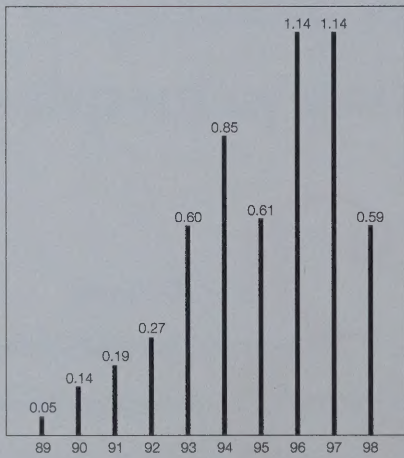
Cash Flow per Share*
($)



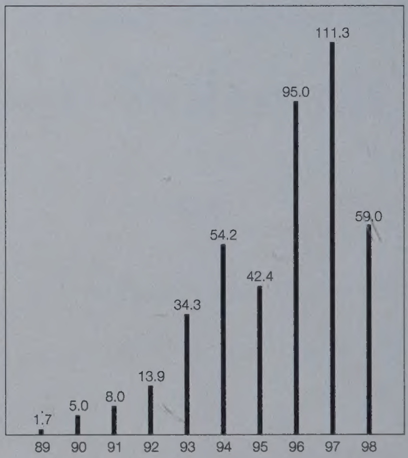
Cash Flow from Operations
($ millions)



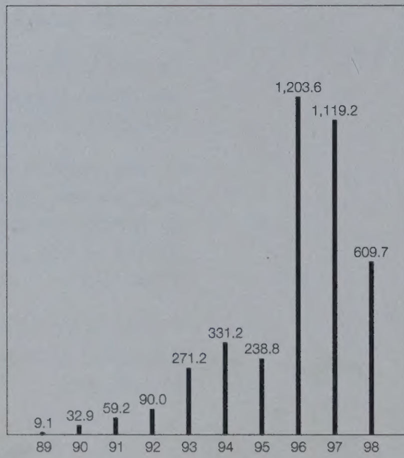
Net Earnings per Share*
($)



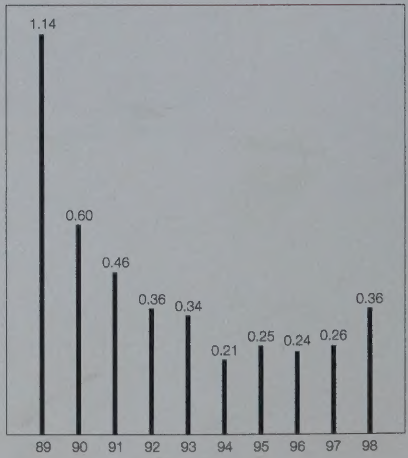
Net Earnings
($ millions)



Net Capital Expenditures
($ millions)

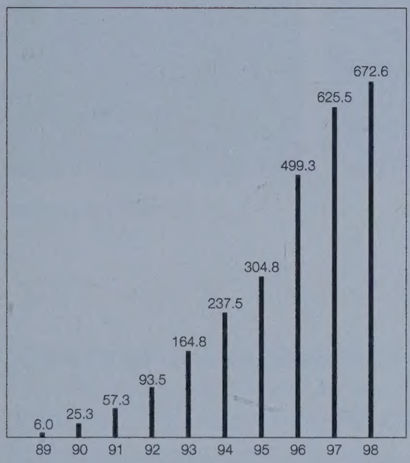


General and Administrative Costs
($/boe)

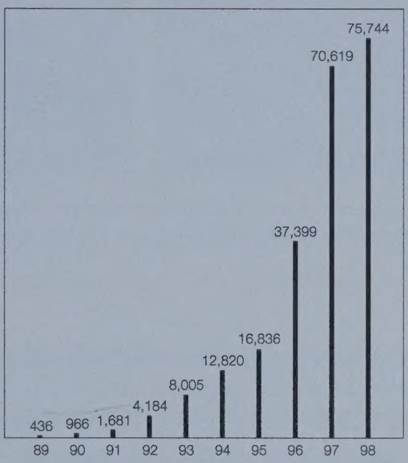


* Restated to reflect two for one stock split in June 1993.

Natural Gas Sales
(mmcf/d)

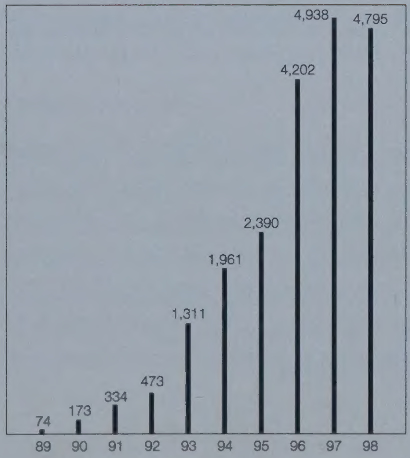


Crude Oil and NGLs Sales
(bbls/d)

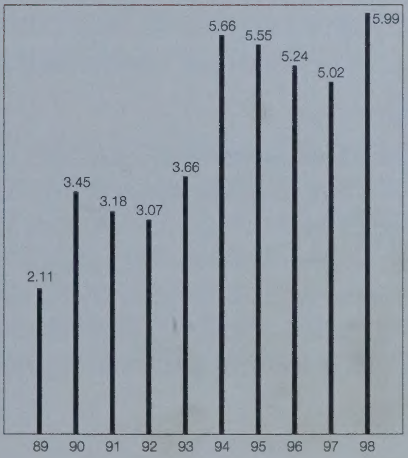


10. Ten Years – a track record of growth

Net Undeveloped Land
(000s)



Finding and Development Costs
($/boe)



Allan Markin, Chairman

LETTER TO THE SHAREHOLDERS

Ten years ago, Canadian Natural set a strategic course to provide consistent growth and create shareholder value. Since 1989, we have not wavered from those strategies. We believe our direction is sound, and we are confident that our strategy will continue to work for us in 1999 and beyond.

In 1998, we recorded significant achievements despite an environment of low world oil prices. We continued our consistent growth in production and reserves, while remaining one of the lowest cost producers in the industry. Those accomplishments were grounded in an unerring commitment to the growth strategy that has driven our operations for the past 10 years. Through commodity price highs and the cyclical lows, those strategies have stood the test of time.

Our ability to stay the course has been fundamental to our profitability and an excellent track record for growing the value of our assets and, in turn, increasing shareholder value. During cyclical lows, such as in 1995 and again in 1998, adherence to our strategies has ensured financial strength along with the flexibility to respond to changing market conditions.

Our operational flexibility allowed us to respond swiftly to low oil prices and capitalize on our long history of cost effective operations. Early in the year we recognized the need to reduce our capital expenditures to $581 million compared to $1,114 million in 1997 without affecting our growth in production volumes. Our expansive undeveloped land base and large inventory of exploration and development prospects, enabled us to shift our focus to the most profitable activities. With our production volumes nearly evenly split between crude oil and natural gas, we efficiently redirected our capital program to emphasize natural gas. These initiatives enabled us to maintain growth and remain focused on our ultimate goal – growing shareholder value.

Highlights of 1998

Our financial results reflected the direct impact of the low oil price environment. Cash flow was $444.2 million in 1998 compared to $503.0 million in 1997. Net income for 1998 was $59 million, a decrease of 47 percent from $111 million in 1997. On a per share basis, cash flow was $4.47 compared to $5.13 in 1997, while net income was $0.59 compared to $1.14. The impact of low prices was offset by our ability to increase production under adverse conditions, and our effectiveness as a low cost company. On a per barrel of oil equivalent basis, cash flow decreased only 18 percent from $10.35 in 1997 to $8.51 in 1998 despite the greater than 30 percent decrease in oil prices.

John Langille, President

From left to right: Brian Illing, Réal Cusson, Tim McKay, Greg Adams, Allen Knight, Steve Laut and Lyle Stevens.

Operationally, we made significant progress. Natural gas production was up eight percent to 673 million cubic feet per day from 626 million cubic feet per day in 1997. A production gain was also recorded for crude oil and natural gas liquids. Daily volumes averaged 75,744 barrels, an increase of seven percent from 70,619 barrels in 1997. These production increases were achieved despite the shut-in of up to 10,000 barrels per day of heavy higher-cost oil for a portion of the year, and the sale of a property with daily production of 2,500 barrels of oil and 12 million cubic feet of natural gas.

Reserves of crude oil and natural gas liquids grew nine percent to 384 million barrels compared to 351 million barrels in 1997. Approximately 44 percent of this growth comes from our initial drilling in the first quarter of the year at Pelican Lake in our North Central Alberta region. Additional reserve growth was achieved on lands in Northeast British Columbia and South Central Alberta. Natural gas reserves increased to 2,216 billion cubic feet from 2,096 billion feet, an increase of six percent, with successful operations in all of our gas producing regions. These reserve additions equate to 1.9 times total annual production. Our finding and onstream costs were $5.99 per barrel of proven and probable oil equivalent, one of the lowest among our industry peers. This enabled us to achieve a recycle ratio of 1.4 to 1.

In 1998, we curtailed all heavy oil well drilling and, as a result, the number of net wells drilled was reduced to 358 from 711 in 1997. Our success rate continues to be high at 88 percent.

A Strategy That Works

Ten years ago, Canadian Natural established a guiding strategy and operating principles to steer the Company's future direction. Adhering to those principles has been the driving force for our operations for the past decade, and the reason for our success in the cyclical commodity price environment. Our 10-year track record is driven by a three-part approach to managing our business: we effectively control costs, maintain manageable bank debt and adhere to a well defined growth strategy. Based on our track record, these principles remain intact and will guide our operations into the future.

Effective cost control

Consistent and effective cost control is one of the hallmarks of operations at Canadian Natural. Measured against industry standards, we are a very low cost producer. Our operating costs in 1998 were $4.06 per barrel of oil equivalent, down from $4.23 in 1997. Our general and administrative expenses of $0.36 per barrel of oil equivalent in 1998 was the lowest among our peers. While our 1998 finding and onstream costs increased to $5.99 per barrel of oil equivalent from $5.02 per barrel of oil equivalent in 1997, we remained a top quartile performer. Over the past 10 years, we have consistently been one of the industry's lower cost producers and we continually strive for improvement.

Manageable bank debt

Maintaining strict control of debt has been fundamental to Canadian Natural's success. Over the past 10 years, and particularly in low pricing cycles, a prudent debt level has been critical to the strength of our balance sheet and to maintaining financial flexibility to maximize shareholder value. As our asset base has grown, both in size and diversity, the amounts of our long-term debt have also increased. Should world oil prices remain low for a protracted period, we are confident that the prudent management of our debt level will enable us to continue to apply our growth strategy and create long-term value for shareholders.

Defined growth strategy

Our defined growth strategy is built on philosophies that guide our operations. First, we concentrate our operations in five core areas, each with its own characteristic production and reserve profile. This allows us to remain focused, yet provides flexibility to adapt our capital program to take advantage of emerging opportunities. As a result, in 1998 we shifted our focus to emphasize natural gas while deferring expenditures on oil drilling and production, especially heavier crude quality.

We internally generate prospects. Canadian Natural has built considerable in-house technological expertise in each of our core regions and has amassed a very large prospect inventory. When combined with our large, undeveloped land base, we can efficiently identify and prioritize prospects and pursue exploration and development best suited to our short- and longer-term objectives. This selectivity was key to our operations in the past year and will continue to be an important focus.

Canadian Natural pursues operatorship and 100 percent working interests. This philosophy generates control of infrastructure of plants, batteries and pipelines necessary to ensure timely and efficient tie-in of newly discovered reserves. We also have greater control over capital requirements and can better employ our internal technical expertise. A position of control and high working interests also allows us to reap greater rewards from our successes.

Significant growth over the past 10 years has come from the drill bit. We pursue medium depth, medium risk, multi-zone prospects, typically at depths of less than 6,000 feet. This narrow focus reflects our technological expertise, while allowing us to maintain a prudent risk profile. In many cases, the multi-zone characteristics of prospects allows us to pursue greater upside potential while further minimizing risk.

Within our growth strategy is a commitment to applying appropriate technologies. Utilizing the latest technologies has been key to increasing efficiencies and maximizing production. Employing advanced technology is becoming increasingly important in maintaining our low cost structure.

Our growth strategy is completed by an acquisition philosophy which requires that these targets are a strategic fit within our existing base of operations. This provides latitude for expansion of plays or increasing interests in promising areas. These acquisitions also include additions to infrastructure and to our inventory of future opportunities.

These philosophies have provided a framework for our growth. Adhering to these philosophies has generated a strong track record through changing industry conditions. We remain committed to our growth strategy and are confident in continuing to provide shareholders with consistent financial and operational improvements.

Looking to the Future

We anticipate the coming year will present challenges, however, there are indications that some of the pressure may be easing. Over the past year, the level of heavy oil drilling has dropped, resulting in a narrowing of price differentials and a lower cost of condensate required for blending. This has led to improved netbacks for heavier grade oil in recent months and we expect this trend to continue. Another outgrowth of lower activity levels has been a reduction in the cost of doing business. Pressure has eased on the supply of equipment and we are seeing lower prices for land, drilling and other necessary services. This lower cost structure will provide added benefits to Canadian Natural's already low cost operations. Another bright spot is an expected firming of gas prices in 1999. The relatively mild winter in North America dampened growth in natural gas prices in the short term. However, projections indicate a strengthening of prices later in the year due to the impact of new pipeline capacity which came onstream in November 1998 and changes in the overall supply of natural gas.

Our 1999 capital expenditure budget, excluding property acquisitions, is currently set in the range of $300 million to $350 million, to be funded by cash flow and credit facilities, and includes drilling approximately 500 wells. In addition, we have allocated between $200 million and $250 million for acquisitions. We anticipate 1999 cash flow to be in the range of $470 million to $550 million. These estimates are based on average daily production of between 138,000 and 152,000 barrels of oil equivalent. Crude oil and natural gas liquids volumes are expected to average 70,000 to 80,000 barrels per day, and natural gas production to be between 680 to 720 million cubic feet per day. These estimates are based on an average WTI oil price range of U.S. $13.50 to $14.50 per barrel, natural gas averaging $2.40 per thousand cubic feet and an average Canadian dollar of U.S. $0.66.

Success Through a Consistent Approach

As we move forward, we are committed to the growth strategy that has proven so successful over the past 10 years. Our focus will remain on exploitation of our large undeveloped land inventory to provide production and reserve growth. Our effective cost control efforts will remain fundamental to our operations. When combined with our large portfolio of exploration and development opportunities and the appropriate application of new technology, we are confident in meeting our growth targets.

One of the most important elements to our success has been the strength of our people. We would like to thank our employees for their efforts which have been so integral to our track record of growth. Their dedication in applying our operating strategies has enabled Canadian Natural to attain significant results year over year. With their continued commitment, we are confident in our direction and in continuing to generate long-term value for our shareholders.

On Behalf of the Board of Directors

John G. Langille
President
March 17, 1999

Allan P. Markin
Chairman

CANADIAN NATURAL RESOURCES LIMITED:

We are proud to introduce our dedicated … growth

Ruth Abraham
Greg Adams
Bruce Anderson
Richard Anderson
Murray Anderson
Shelley Antonuk
Jim Archibald
Evalynn Arden
John Argan
Mark Ariss
James Arkley
Rob Armstrong
Clifford Atkinson
Aggie Aucoin
Victoria Badger
Charles Badiou
Dwayne Bailer
Sam Balaneski
Reginald Baldock
Vaughn Baldwin
Teresa Banny
Jack Bardahl
Carrie Barter
Marty Bartman
Lesley Belcourt
Jon Bell
Ronald Bell
Jeffrey Bergeson
Ebonie Bernard
David Biagi
Linda Bigelow
Kenneth Blackhall
Tim Blair
David Blake
Dwayne Blenner-Hassett
Kerry Blue
Vikki Bochon
Marty Boggust
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Jill Bonkowsky
Cheryl Bowman
Patrick Boyd
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Victoria Boyle
Neil Bozak
Marianne Brady
Rob Braun
Colin Brausen
Barry Brick
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Elizabeth Brownrigg
Daniel Brule
Rick Buchanan
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Leanne Butz
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Lorraine Cameron
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Maria Campos
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Wayne Cardinal
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Allan Carswell
Gary Case
Mike Catley
Dante Cay
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Andrea Chalmers
Alan Chaney
Joy Chapin
Karen Chapman
Darryl Charabin
Alvin Chim
Wayne Chorney
Sherry Chow
Jeannie Choy
Alphonse Chretien
Yvan Chretien
Heather Church
William Clapperton
Mike Clark
Greg Clegg
Dale Coburn
Thelma Codd
Sabrina Colangelo
Renie Colburn
Lilie Collins
Michael Cook
Kent Cooper
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James Corner
Wayne Cote
David Cousins
Gordon Coveney
Keith Cowger
Layne Craig
Beverley Creed
Roger Crichton
David Cridland
Reynaldo Cruz
Anthony Csabay
Corinna Culler
Kenneth Cusack
Réal Cusson
Steve Dalman
Mike Dalton
Randall Davis
Stephen Davis
Robert Day
Harry Dean
Marie de Champlain
Roland Dechesne
Ian Degiano
Barbara Deglow
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Karen Demers
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Michael DesRoches
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Sandy Diguer
Irene Dikau
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Ken Fleck
Katrisha Fletcher
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Edmond Foisy
Hop Chi Fong
Curtis Formanek
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Devon Fornwald
Costantinos Fotopoulos
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Larry Galea
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Allan Gould
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Treena Groeneveld
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Evan Johnson
Jeffrey Johnson
James Jung
Dale Kachowski
Asif Kachra
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Warren Kapaniuk
Christopher Kean
Carla Kenney
Mary Jane Kerrison
Kimberly Kielt
Stan Kimmie
Richard King
Steve King
Marvin Kinsman
Yvonne Kloiber
Allen Knight
Lona Kossowan
Diane Kostiuk
Richard Kowalski
Cameron Kramer
Trevor Krause
Todd Kreics
Jeffrey Kreiser
Patti Krekoski
Frank Kurucz
Harvey Kvile
Angele Kwon
Mitzi LaChance
Robert Lagimodiere
Michael Lahure
Cassandra Lai
Ronald Laing
Mahmud Lalani
Jacqueline Lamb
Shawna Lamirande
Eugene Landry
John Langille
Carolyn Langpap
Pamela Lapp
William Latchuk
Asif Latif
Steve Laut
Brian Lawson
Sharon Layton
Greg Lazaruk
Earl Leer
Timothy Lefaivre
Kevin Legault
Mark Leggett
Dwight Lemieux
Mark Lenson
Candace Lenz
Gary Leong
Stephen Lepp
Gerry Leslie

Maurice Levac
Tracy Levasseur
Shelly Lewchuk
Craig Lewington
Heather Lichtenbelt
Dale Lloyd
Leonard Lloyd
Joy Lofendale
Randal Logelin
Brandice Long
Bob Lorinczy
Jonathan Lowes
Wendy Lutzen-Askew
Kelly Ma
Graeme MacKenzie
Shawn MacKenzie
Marilyn Macoy
Bill Mah
Sajid Mahmood
Joey Majerech
Jim Mak
Anita Mak
Lawrence Malek
Peter Manchak
Mike Manchen
Darcy Mandziak
Wendy March
Ronald Marcichiw
Allan Markin
Robert Martin
Brent May
Richard May
Deirdre Mazur
Richard McCaffrey
Toni McCarthy
Brenda McGinnis
Robert McGowan
Mavis McGuire
Rod McKay
Tim McKay
Carmen McKay
David McKinnon
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Gloria Woods
Daron Woolf
Sidney Wosnack
Raymond Wourms
Brent Wychopen
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James Yaroslawsky
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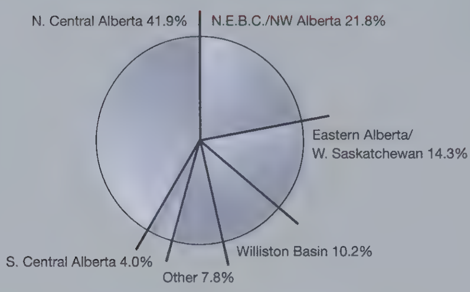
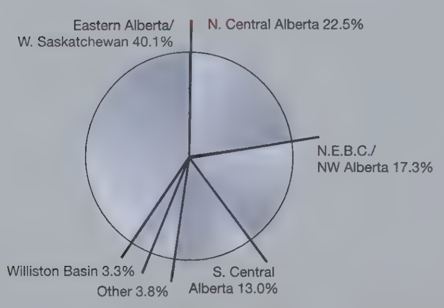
Betty Yee
Tony Yip
Richard Young
Diane Zeliznik
Denis Zentner

Core Regions

Undeveloped Landholdings



Reserves



Northeastern B.C. / Northwestern Alberta

	1998	1999 Forecast
Average production		
Gas	223 mmcf/d	235 mmcf/d
Oil	13,856 bbls/d	17-18,000 bbls/d
Drilling activity	61 net wells	75 net wells
Undeveloped land	1,043,000 net acres	

Canadian Natural has consistently grown production and reserves in this region for the past nine years. The Company is a very active driller in this light oil and liquids-rich natural gas region. Successful exploration and development have also positioned Canadian Natural as one of the largest oil and natural gas producers in British Columbia.

Compared to its other core areas, drilling targets are deeper, up to 7,500 vertical feet, however, risk is mitigated by multi-zone potential and larger reserve targets. The Company's success in this geologically complex area has hinged on its technical expertise, employing advanced technology and effective cost controls. The exploration strategy focuses on comprehensive evaluation through two-dimensional and three-dimensional seismic and targeting economic geological areas close to existing infrastructure. Applying underbalanced, multi-leg horizontal drilling has also proved highly effective, particularly in the Buick Creek area. Canadian Natural is planning to drill approximately 75 wells in this region in 1999, primarily targeting natural gas. During 1998 Canadian Natural sold a property for proceeds of $127.5 million. The producing property was subject to production restrictions pending a pooling of reserves.

Eastern Alberta / Western Saskatchewan

	1998	1999 Forecast
Average production		
Gas	10 mmcf/d	11 mmcf/d
Oil	35,041 bbls/d	28-33,000 bbls/d
Drilling activity	8	0-15
Undeveloped land	688,000 net acres	

In response to the widening differentials for heavier quality crude oil and the low benchmark WTI price, Canadian Natural did not drill any heavy oil wells in 1998. The wells that were drilled targeted natural gas in shallow horizons. The Company's focus in this area was to lower operating costs through use of less costly trucking and sand handling methods. Operating costs have declined to $5.00 per barrel from previous levels of $6.50 per barrel.

In the first half of 1998, the Company shut-in up to 10,000 barrels per day of production due to the low netbacks received for this oil. Approximately 8,000 barrels per day of the shut-in production was brought back onstream by year end.

Commencing in the third quarter of 1998 the differential began to narrow and the cost of condensate needed for blending purposes began to decrease and, as a result, Canadian Natural's netbacks improved substantially.

In keeping with the Company's strategic response to commodity prices, activity in 1999 will depend on the pricing environment. If low benchmark WTI prices continue to persist, the Company will not carry out any drilling activities. However, if oil prices improve, the region could see a surge in activity with as many as 60 wells drilled.

North Central Alberta

	1998	1999 Forecast
Average production		
Gas	297 mmcf/d	315 mmcf/d
Oil	10,469 bbls/d	11-16,000 bbls/d
Drilling activity	174	115-160 net wells
Undeveloped land	2,009,000 net acres	

Over the past 10 years, Canadian Natural has grown North Central Alberta into its largest natural gas producing area. The region is also indicative of Canadian Natural's operational flexibility as it encompasses Pelican Lake, a large 58-section expanse of Crown oil sands leases acquired in 1997.

Gas volumes from this region accounted for 44 percent of the corporate total in 1998. Natural gas prospects which are typically low risk, multi-zone shallow targets at depths up to 3,000 feet. The profitability of these wells is further enhanced by the large Company-operated infrastructure which allows for drilling and well tie-in at low onstream costs. In 1999, Canadian Natural is continuing its drilling program in North Central Alberta with virtually all wells targeting natural gas.

At Pelican Lake, the Company pursued an active drilling program in the first quarter of 1998 adding 31 million barrels of proven and probable oil reserves, up from 9.0 million barrels in 1997. The Company also completed the construction of the necessary roads, drilling pads, pipelines, batteries and compressors to further develop the large oil pool. Strategically, the Company is optimizing its land base to drill the thick, higher quality portions of the reservoir. The complexities of the pool are being delineated with seismic to determine the optimization of horizontal drilling techniques. The level of drilling activity at Pelican Lake in 1999 will be based on commodity pricing. In a low price scenario environment, approximately 5 wells will be drilled. A strengthening in oil prices could lead to 50 wells being drilled.

South Central Alberta

	1998	1999 Forecast
Average production		
Gas	132 mmcf/d	135 mmcf/d
Oil	9,202 bbls/d	7,500 bbls/d
Drilling activity	97 net wells	300 net wells
Undeveloped land	192,000 net acres	

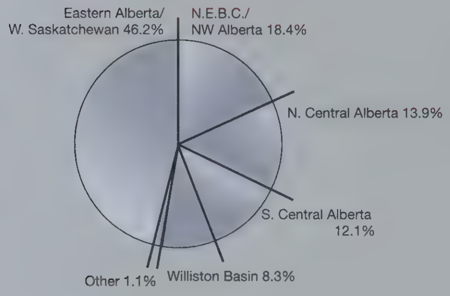
South Central Alberta is characterized by shallow to medium depth natural gas and light oil. Since Canadian Natural entered the area in 1996 through an acquisition, it has focused primarily on development of under-exploited gas reservoirs. The Company has also pursued low risk opportunities to improve oil production from existing pools through infill drilling, work-overs and recompletions. An extensive infrastructure allows wells to be brought onstream quickly and economically. The shallow depth of drilling targets also contributes to the area's profitability. The active drilling program pursued in 1998 will continue into 1999 emphasizing economic gas wells. On average, targets will be 1,200 feet deep and take only several days to drill. The focus of this program will be to add long-life natural gas reserves to the Company's base of assets.

Williston Basin

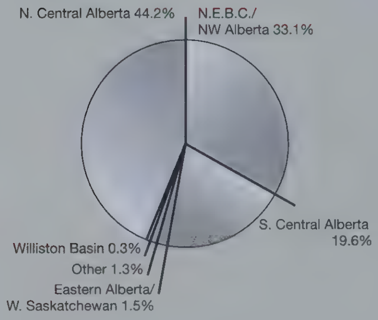
	1998	1999 Forecast
Average production		
Gas	2 mmcf/d	2 mmcf/d
Oil	6,280 bbls/d	6,500 bbls/d
Drilling activity	16 net wells	–
Undeveloped land	491,000 net acres	

The Williston Basin is characterized by light sour crude and Canadian Natural entered the area in 1996 through the Sceptre Resources acquisition. In 1998 Canadian Natural drilled a number of horizontal wells that confirmed the potential of known pools of oil on the Company's land. However, future drilling will be deferred until a recovery in oil prices occurs. Canadian Natural also continues to consolidate its interests in this region by acquiring other company's interests.

Crude Oil and NGLs Production
(1998)



Natural Gas Production
(1998)



Average Daily Sales by Region

	1999 mid range forecast	1998	1997	1996	1995
Crude oil and NGLs (mbbls/d)					
Northeastern British Columbia/					
Northwestern Alberta	17.5	**13.9**	14.5	11.5	8.6
Eastern Alberta/Western Saskatchewan	30.5	**35.0**	35.5	11.8	4.4
North Central Alberta	13.5	**10.5**	5.0	5.8	0.6
South Central Alberta	7.5	**9.2**	7.3	4.2	–
Williston Basin	6.5	**6.3**	6.7	3.4	–
Other	0.5	**0.8**	1.6	0.7	3.2
Total	76.0	**75.7**	70.6	37.4	16.8
Natural gas (mmcf/d)					
Northeastern British Columbia/					
Northwestern Alberta	235	**223**	185	137	97
Eastern Alberta/Western Saskatchewan	11	**10**	10	6	12
North Central Alberta	315	**297**	310	289	173
South Central Alberta	135	**132**	105	49	–
Williston Basin	2	**2**	2	1	–
Other	6	**9**	14	17	23
Total	704	**673**	626	499	305

Major Properties Reserves and Values

(as at January 1, 1999)	Crude oil and NGLs		Natural gas		Value*	
Region	mbbls	%	mmcf	%	$ thousands	%
Northeastern British Columbia/						
Northwestern Alberta	38,902	10.13	659,154	29.75	910,621	21.51
Eastern Alberta/Western Saskatchewan	237,894	61.92	53,552	2.42	914,140	21.59
North Central Alberta	52,353	13.63	838,277	37.83	1,318,646	31.15
South Central Alberta	26,465	6.89	525,617	23.72	721,568	17.04
Williston Basin	18,893	4.92	8,330	0.38	148,968	3.52
Other	9,686	2.51	130,811	5.90	165,241	3.91
Alberta Royalty Tax Credit and						
Corporate Capital Cost Allowance					54,354	1.28
Total	384,193	100.00	2,215,741	100.00	4,233,538	100.00

** Estimated future net revenues before income taxes, discounted at 10%, as evaluated in the Reserve Evaluation (page 19).*

Undeveloped Land

A vital foundation to Canadian Natural's growth strategy over the past 10 years has been maintaining a large focused undeveloped land base. With over 90 percent of Canadian Natural's undeveloped lands located in its five core areas, the Company has been able to consistently build its in-house technical expertise and maintain success in its exploration and development programs.

At January 1, 1999, undeveloped landholdings were 4.8 million net acres compared to over 4.9 million acres at the beginning of 1998. The Company's undeveloped lands are comprised of landholdings in areas that have natural gas potential, as well as light, medium and heavy oil potential. These holdings provide Canadian Natural with a three to five year inventory of drilling locations which can be developed when the most favorable economic conditions exist.

The average cost of land acquired at provincial land sales was $49 per acre compared to $120 per acre in 1997. One of Canadian Natural's key strategies is to maintain high working interests. In 1998, the Company's average working interest in undeveloped lands is 87 percent.

Landholdings

	1998			1997		
	Gross acres	Net acres	Average interest	Gross acres	Net acres	Average interest
Developed	**3,089,002**	**2,360,601**	**76%**	2,781,894	1,999,316	72%
Undeveloped	**5,497,129**	**4,795,719**	**87%**	5,731,641	4,938,257	86%
Total	**8,586,131**	**7,156,320**	**83%**	8,513,535	6,937,573	81%

The geographic location of the undeveloped land is as follows:

Net Undeveloped Land (net acres)

	1998	1997
British Columbia	**859**	745
Alberta	**2,984**	2,974
Saskatchewan	**577**	888
Other	**375**	331
Total	**4,795**	4,938

Seismic

With the focus on internally generated prospects, both two- and three-dimensional seismic are an important resource for the Company. In 1998, Canadian Natural invested $17 million to acquire new seismic data and to purchase and reprocess existing data. In total, the Company shot 2,400 kilometers of conventional seismic, and 22 square kilometers of three-dimensional data. Canadian Natural also purchased 4,200 kilometers of conventional seismic.

Drilling Activity

The drilling program in 1998 was reduced to 357.9 net wells compared to 711.0 net wells in 1997. This large decrease is primarily the lack of any heavy oil well drilling in 1998 in response to the low netback for that product. The Company's overall success rate continues to be high at 88 percent. Of the wells drilled, only 1.8 net wells were located outside Canadian Natural's five core areas. Strategically, Canadian Natural maintains high average working interests and in 1998 averaged over 88 percent working interest in all wells drilled.

Drilling Activity

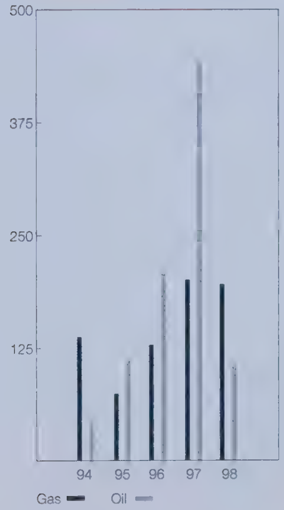
	1998		1997		1996	
(number of wells)	Gross	Net	Gross	Net	Gross	Net
Gas	**216**	**193.2**	237	199.6	134	128.1
Oil	**120**	**106.5**	486	442.9	228	208.9
Injection/strat tests	**20**	**15.5**	2	1.5	2	1.0
Dry	**48**	**42.7**	75	67.0	64	62.9
Total	**404**	**357.9**	800	711.0	428	400.9
Success rate		**88%**		91%		84%

In 1999, Canadian Natural is anticipating increasing its drilling activity over 1998 levels. Natural gas targets will be the primary focus with 490 wells planned for drilling. A large shallow gas well drilling program comprising up to 300 wells is scheduled for the summer in the Company's South Central Alberta region. Only seven wells targeting light oil are currently planned to be drilled. Drilling for oil in Eastern Alberta/Western Saskatchewan and at Pelican Lake will depend on commodity pricing.

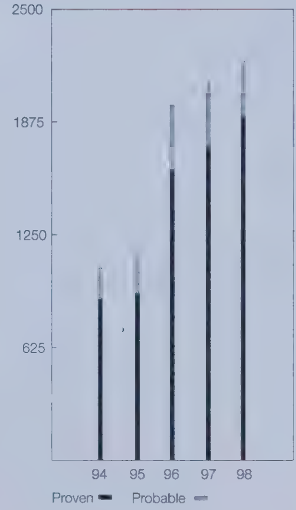
Production and Sales

Natural gas sales rose eight percent to 672.6 million cubic feet per day compared to 625.5 million cubic feet per day in the previous year. The North Central Alberta area continued to be the Company's largest natural gas producing area while the Northeast British Columbia region grew to a third of the Company's overall production.

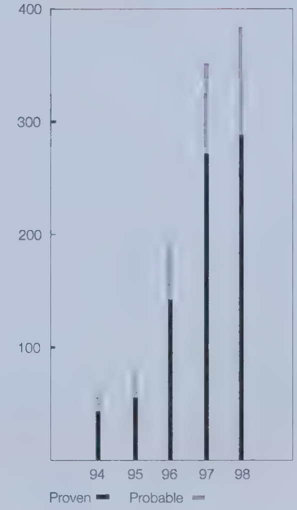
Drilling Activity
(net wells)



Natural Gas Reserves
(bcf)



Crude Oil Reserves
(mmbls)



Average production of crude oil and natural gas liquids increased to 75,744 barrels per day, up seven percent from 70,619 barrels per day in 1997. This increase was attributable to successful drilling in British Columbia, South Central Alberta and at Pelican Lake in North Central Alberta.

Canadian Natural continued to maintain a balanced production portfolio. On a barrel of oil equivalent basis, 47 percent of production was natural gas. Crude oil and natural gas liquids accounted for the remaining 53 percent. Of that amount, light and medium grade oil accounted for 30 percent, while heavier quality oil made up 23 percent of total barrel of oil equivalent production, down from 27 percent in 1997. In 1999, the production mix is expected to remain very similar to 1998.

Reserves

On a barrel of oil equivalent basis, year-end reserves increased eight percent to 605.8 million barrels. Of this total, 63 percent were oil and natural gas liquids and 37 percent were natural gas reserves.

In 1998, proven and probable crude oil and natural gas liquids reserves rose nine percent to 384.2 million barrels from 351.4 million in 1997. The majority of this growth was due to reserves booked at Pelican Lake, where at year-end 1998, a total of 31 million proven and probable crude oil reserves were added from drilling activities. Further reserve additions from Pelican Lake could total up to 150 million barrels of oil. Proven and probable natural gas reserves were 2,216 billion cubic feet compared to 2,096 billion cubic feet in 1997.

A reserve replacement ratio of 1.9 resulted from production of 52 million barrels of oil equivalent in 1998 and the net addition of 97 million barrels of oil equivalent.

Canadian Natural's reserve life index based on proven reserves is 7.8 years for natural gas and 10.4 years for crude oil.

Canadian Natural has consistently recorded very low finding, development and onstream costs. These costs in 1998 were $5.99 per barrel of oil equivalent from $5.02 in 1997. This increase in cost is attributable to the lack of heavy oil drilling in 1998 which has a low per unit finding cost. Over the past 10 years, the Company's average finding costs have been $5.00 on a barrel of oil equivalent basis. On a proven barrel of oil equivalent basis, the Company's onstream costs in 1998 rose to $6.75 per barrel of oil equivalent, from $5.84 in 1997. As a result of these higher onstream costs and the lower cash flow due to oil prices, the Company's recycle ratio fell to 1.4 to 1.

Five Year Finding and Onstream Costs ($ millions)

	1998	1997	1996	1995	1994	Five year total
Capital expenditures						
Corporate acquisition	**–**	–	654.2	–	–	654.2
Net property acquisitions and dispositions	**63.9**	386.3	164.6	24.0	85.1	723.9
Seismic and geological evaluation	**17.2**	38.9	32.5	19.1	29.3	137.0
Land acquisition and retention	**39.0**	98.3	55.6	30.7	63.4	287.0
Well drilling, completion, equipping	**255.2**	350.7	163.8	92.2	77.3	939.2
Pipeline and production facilities	**205.7**	240.3	130.1	71.5	75.3	722.9
Total net reserve replacement expenditures	**581.0**	1,114.5	1,200.8	237.5	330.4	3,464.2
Projects under construction	**25.4**	–	–	–	–	25.4
Head office equipment	**3.3**	4.6	2.8	1.3	0.7	12.7
Total capital expenditures	**609.7**	1,119.1	1,203.6	238.8	331.1	3,502.3
Cost of net reserves replacement ($/boe)						
Before reserve revisions	**5.31**	4.99	5.24	5.74	6.45	5.29
After reserve revisions	**5.99**	5.02	5.24	5.55	5.66	5.33

Reserve Reconciliation

	Crude oil and liquids (mbbls)		Natural gas (mmcf)	
	Proven	Probable	Proven	Probable
January 1, 1997	140,932	49,707	1,604,774	362,344
Discoveries and purchases	150,704	32,012	416,741	39,295
Property disposals	(1,120)	(2)	(34,585)	(2,364)
Production	(25,776)	–	(228,315)	–
Revisions of prior estimates	5,681	(709)	(25,880)	(36,119)
January 1, 1998	270,421	81,008	1,732,735	363,156
Discoveries and purchases	53,365	21,951	425,398	28,518
Property disposals	(5,518)	(3,664)	(37,574)	(13,628)
Production	(27,646)	–	(245,514)	–
Revisions of prior estimates	(3,617)	(2,107)	30,149	(67,499)
January 1, 1999	287,005	97,188	1,905,194	310,547

Reserve Evaluation

as at January 1, 1999	Company interest reserves before royalty			Present value before tax of future cash flow (000s)	
	Crude oil	Liquids	Natural gas	10%	15%
	(mbbls)	(mbbls)	(mmcf)	$	$
Proven	**274,157**	**12,848**	**1,905,194**	**3,901,199**	**3,214,959**
Probable	**93,397**	**3,791**	**310,547**	**332,339**	**240,013**
Total January 1, 1999	**367,554**	**16,639**	**2,215,741**	**4,233,538**	**3,454,972**
Total January 1, 1998	**329,198**	**22,231**	**2,095,891**	**3,473,341**	**2,854,651**
Change (%)	**11.7**	**-25.2**	**5.7**	**21.9**	**21.0**

Ninety-six percent of the Company's reserves are evaluated by Sproule Associates Limited ("Sproule") with the remaining four percent evaluated internally by the Company's engineers.

1. Value includes additions for processing revenue, the Alberta Royalty Tax Credit and the value of the corporate capital cost allowance.

2. Value of the probable reserves are reduced by 50 percent to account for risk.

3. The oil price forecast is based on the benchmark price of West Texas Intermediate crude oil delivered at Cushing, Oklahoma. That price is translated to Canadian dollars and adjusted for transportation and quality differential to arrive at the sales price projected for the Company. Natural gas price forecast is based on contract and quality conditions.

The price used in the evaluation are as follows:

			Average company sales prices – proven reserves			
	Crude oil WTI at Cushing (US$ per barrel)		Crude oil ($Cdn per barrel)		Natural gas ($ per mcf)	
	1999	1998	1999	1998	1999	1998
1999	**14.50**	21.06	**15.70**	20.28	**2.38**	1.97
2000	**16.32**	21.61	**16.97**	21.23	**2.44**	2.07
2001	**18.21**	22.17	**18.05**	22.20	**2.62**	2.12
2002	**20.16**	22.75	**20.17**	22.85	**2.65**	2.22
2003	**20.57**	23.35	**20.26**	23.63	**2.72**	2.29
2004	**20.98**	23.96	**20.85**	24.45	**2.78**	2.37
2005	**21.40**	24.58	**21.47**	25.31	**2.84**	2.46
2006	**21.83**	25.22	**22.05**	26.17	**2.90**	2.55
2007	**22.26**	25.88	**22.48**	26.98	**2.96**	2.63
2008	**22.71**	26.55	**23.27**	27.95	**3.02**	2.72
Thereafter	**+2.0%**	+2.6%	**+3.1%**	+3.6%	**+2.2%**	+3.5%

Natural Gas

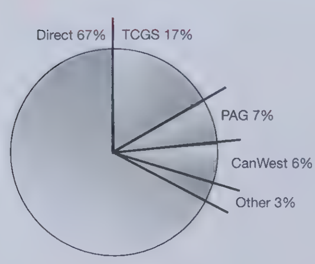
Gas prices in the United States, as measured by the NYMEX futures contract, averaged US$2.14 per mmbtu in 1998, 19 percent lower than in 1997. Gas prices were lower primarily due to two consecutive warm winters attributed to the El Nino weather phenomenon. Canadian domestic prices as measured by the Alberta index were nine percent higher in 1998 at 1.93 per gigajoule. The number of Alberta gas drilling completions was 13 percent lower in 1998 which resulted in a tighter supply environment in a year where a total of 1.1 billion cubic feet per day of new export pipeline capacity came onstream.

Canadian Natural's gas sales in 1998 increased eight percent to 673 million cubic feet per day from 626 million cubic feet per day in 1997. Canadian Natural's direct sales amounted to 67 percent of the 1998 portfolio with the remaining 33 percent split among the main supply aggregators.

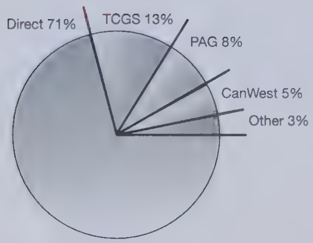
In 1998, the Company received a wellhead price of $2.12 per thousand cubic feet of its gas, up 11 percent from $1.91 per thousand cubic feet in 1997. Based on current supply/market fundamentals and the Company's pricing forecasts, Canadian Natural expects to realize an average wellhead price of $2.40 per thousand cubic feet in 1999.

Natural Gas Sales Portfolio
(%)

1998

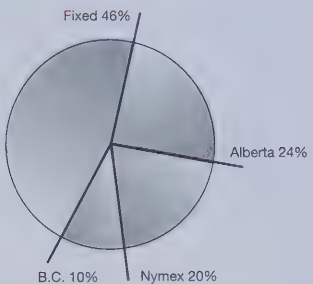


1999

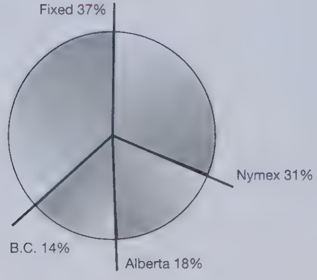


Natural Gas Sales Pricing Portfolio
(%)

1998



1999



Crude Oil

Crude oil prices collapsed in 1998, averaging US$14.43 per barrel for the West Texas Intermediate (WTI), a 30 percent decrease from the US$20.61 realized in 1997. Crude oil prices declined as a result of a worldwide reduction in demand for petroleum products, caused by an extremely warm year and economic slowdowns in many countries. Canadian Natural's average price in 1998 also decreased 31 percent to $12.93 per barrel.

On the positive side, the price differentials for Canadian heavy oil relative to the WTI price for crude oil and the exchange rate decreased significantly beginning in the third quarter of 1998. These factors and the availability of blending condensate have improved the economics of heavy oil relative to light oil.

Canadian natural increased crude oil production in 1998 by seven percent to 75,744 barrels per day with a mix of 49 percent light and medium oil, 44 percent heavy oil (15° API or less) and seven percent natural gas liquids. As a result of reduced Canadian production in 1998, there were no pipeline restrictions and none are expected for 1999.

The recent agreement among international producers to further reduce world supplies by approximately two million barrels per day should help restore world crude oil prices in 1999 to a level where Canadian Natural could grow its volumes to within a range of 70,000 to 80,000 barrels per day. Based on this level, the Company's production profile for 1999 would include 51 percent light and medium oil, 43 percent heavy oil (15° API or less) and six percent natural gas liquids. Based on a 1999 WTI price forecast of US$14.50 per barrel, Canadian Natural's estimated wellhead price would be $14.10 per barrel.

The past year provided many challenges for Canadian Natural as well as many opportunities. Weak crude oil pricing was met with a

The following discussion details Canadian Natural's 1998 financial results compared to 1997, including its capital program and outlook for 1999. This discussion should be read in conjunction with the consolidated financial statements and notes for a full understanding of the Company's financial position and results of operations. All data is presented in Canadian dollars.

Cash Flow and Net Earnings

Despite weakness in the benchmark West Texas Intermediate (WTI) oil price throughout 1998, which resulted in a 31 percent decline in the realized sales price for a barrel of oil, Canadian Natural achieved positive earnings of $59 million ($0.59 per share) in 1998. Cash flow for 1998 amounted to $444.2 million ($4.47 per share), a 12 percent decrease from the level of cash flow realized in 1997. These results reflect the increase in production volumes to over 143,000 barrels of oil equivalent per day, an increase in the sales price of natural gas and Canadian Natural's adherence to its operating principle of maintaining a low cost structure.

Summary of Results

	1998	1997	1998	1997	1998	1997
Production volumes*	**75,744**	70,619	**672.6**	625.5	**143,008**	133,171
	Crude oil and NGLs ($/bbl)		Natural gas ($/mcf)		($/boe)	
Revenue	**12.93**	18.82	**2.12**	1.91	**16.82**	18.95
Royalties	**1.66**	3.01	**0.29**	0.33	**2.24**	3.14
(% of revenue)	**12.8%**	16.0%	**13.7%**	17.3%	**13.3%**	16.6%
Production	**4.69**	4.95	**0.33**	0.34	**4.06**	4.23
Operating netback	**6.58**	10.86	**1.50**	1.24	**10.52**	11.58
Administration					**0.36**	0.26
Interest					**1.46**	0.76
Capital taxes					**0.19**	0.21
Cash flow netback					**8.51**	10.35
Depreciation, depletion and amortization					**6.27**	5.94
Unrealized foreign exchange loss					**0.04**	0.17
Deferred income taxes					**1.07**	1.95
Net earnings					**1.13**	2.29

* Crude oil & liquids production - barrels per day; natural gas production in million cubic feet per day; natural gas converted at 10:1 for boe calculation.

Gross Revenue

Canadian Natural's gross revenue decreased five percent to $877.6 million in 1998 from $921.1 million in 1997. The affect on gross revenue from an increase in both oil and natural gas liquids production and in natural gas production was offset by a weak crude oil price experienced throughout 1998. Crude oil and liquids production increased to average 75,744 barrels per day in 1998 from 70,619 barrels per day in 1997 reflecting successful exploration and development work carried out in 1997 and early 1998. Expenditures on heavy oil properties were curtailed in 1998 as it became apparent that oil prices would remain weak for a prolonged period. The Company shifted its efforts to natural gas as evidenced by a significant decline in net oil wells drilled in 1998 (106) versus 1997 (443). As a result of Canadian Natural's focus on the exploration and development of natural gas prospects, natural gas production increased to average 672.6 million cubic feet per day in 1998 from an average of 625.5 million cubic feet per day in 1997.

The Company's crude oil and natural gas liquids price fell 31 percent in 1998 to average $12.93 per barrel from $18.82 per barrel in 1997. This decrease was directly attributable to the sharp decline in the average WTI price from US$20.61 per barrel in 1997 to US$14.43 per barrel in 1998 as world demand for crude oil remained below supply. Natural gas prices improved in 1998 to average $2.12 per thousand cubic feet ($1.91 in 1997) as a result of added take away capacity provided by the Northern Border expansion and TransCanada expansion affording additional access to the United States. The impact of added capacity was tempered somewhat by a warmer than normal winter throughout North America.

In 1998, crude oil and natural gas liquids revenue fell to 41 percent of gross revenue from 53 percent in 1997 due to weak crude oil pricing. Natural gas revenue increased to 59 percent of gross revenue in 1998 from 47 percent in 1997. On a barrel of oil equivalent basis, the production mix of crude oil and natural gas liquids to natural gas remained constant in 1998 at 53 percent and 47 percent respectively.

Oil revenue was increased by $26.5 million in 1998 and natural gas revenue was increased by $1.5 million as a result of the utilization of financial instruments as a risk management tool. In 1997 oil revenue was reduced by $4.5 million and gas revenue by $14.3 million.

Analysis of Gross Revenue Increase

($ millions)	
Reported 1997 revenue	$ 921.1
Effect on revenue of:	
Increased volumes of crude oil and liquids	35.2
Decreased price of crude oil and liquids	(162.6)
Increased volumes of natural gas	32.8
Increased price of natural gas	51.8
Decreased other income	(0.7)
Reported 1998 revenue	$ 877.6

Royalties

Royalties declined 29 percent to $2.24 per barrel of oil equivalent in 1998 from $3.14 per barrel of oil equivalent in 1997 reflecting the decline in oil prices and recoveries on prior year natural gas royalties. Crude oil and natural gas liquids royalties declined to $1.66 per barrel in 1998 from $3.01 per barrel while gas royalties declined to $0.29 per thousand cubic feet in 1998 from $0.33 per thousand cubic feet in 1997.

Production Expenses

Production expenses decreased four percent to $4.06 per barrel of oil equivalent in 1998 ($4.23 -1997) with crude oil and natural gas liquids production expenses dropping $0.26 per barrel in 1998 to $4.69 per barrel from $4.95 per barrel in 1997. This decrease was due to a greater weighting of lower cost oil production with the suspension of heavy oil development in early 1998. Natural gas operating costs fell to $0.33 per thousand cubic feet in 1998 from $0.34 per thousand cubic feet in 1997. Production expenses are forecasted to decline slightly in 1999 to $3.95 per barrel oil equivalent.

Administration Expenses

In 1998, the Company's administration expense, after operator recoveries, increased to $18.8 million ($0.36 per barrel of oil equivalent) from $12.8 million ($0.26 per barrel of oil equivalent) in 1997. This increase is solely a function of a reduced level of activity as operator recoveries declined in 1998 to $0.36 per barrel of oil equivalent from $0.47 per barrel of oil equivalent in 1997. Drilling and facilities expenditures, on which the capital overhead calculation is based, fell 18 percent to $486.3 million in 1998 from $591.0 million in 1997. The gross expense before operator recoveries increased

marginally from $35.5 million in 1997 to $37.3 million in 1998 and actually declined on a per barrel of oil equivalent basis to $0.72 in 1998 from $0.73 in 1997. Administration expense after overhead recoveries, is forecast to stay level at $0.35 per barrel of oil equivalent in 1999.

General and Administrative Expenses

	1998		1997	
($ millions)	Total	$/boe	Total	$/boe
Gross costs	**37.3**	**0.72**	35.5	0.73
Operator recoveries	**(18.5)**	**(0.36)**	(22.7)	(0.47)
General and administrative expenses	**18.8**	**0.36**	12.8	0.26

Interest

Interest expense rose to $76.0 million in 1998 ($1.46 per barrel of oil equivalent) from $37.0 million ($0.76 per barrel of oil equivalent) in 1997 due to the Company's average debt balance increasing in 1998 and an increase in the average rate of interest paid on outstanding borrowings over 1997. Interest rates for 1999 are forecasted to remain stable as compared to the fourth quarter of 1998.

Depreciation, Depletion and Amortization

The total expense increased to $327.4 million in 1998 from $288.8 million in 1997 due to higher production volumes and a larger asset base in 1998. On a per barrel of oil equivalent basis, it increased marginally to $6.27 in 1998 from $5.94 in 1997.

Unrealized Foreign Exchange Loss

Canadian Natural has US$196.0 million of its debt denominated in US dollars. During 1998, the Company deferred unrealized foreign exchange losses of $19.6 million as the Canadian dollar weakened throughout 1998 when compared to the U.S. dollar. Currently it is the intention of the Company to continue to hold this US denominated debt.

Taxes

As a direct result of a 42 percent decline in earnings before taxes, the deferred income tax provision declined 41 percent to $56.0 million in 1998 from $94.7 million in 1997. On a barrel of oil equivalent basis, deferred taxes fell to the same extent to $1.07 in 1998 from $1.95 in 1997. The Company's effective tax rate remained practically constant at 45 percent in 1998 versus 44 percent in 1997.

Currently, the Company is not liable for the payment of federal income taxes and it is anticipated that due to the availability of $1.9 billion of tax pools at the end of 1998 in addition to budgeted capital expenditures for 1999, no current income tax liability will occur during 1999. The Company is however liable for the payment of capital taxes which include the Federal Large Corporation tax, British Columbia capital tax and Saskatchewan capital tax. This tax decreased to $9.9 million in 1998 from $10.3 million in 1997 primarily due to decreased heavy oil revenues in Saskatchewan which form part of the calculation in determining the liability for Saskatchewan capital tax.

Liquidity and Capital Resources

Canadian Natural continues to hold an unsecured line of credit of $1.6 billion. The line provides for annual review and no principal repayments given that certain covenants, including specific financial ratios, are maintained. The Company anticipates meeting these requirements under its current operating forecast for 1999. Proceeds of $14.0 million were received in 1998 from the exercise of employee stock options.

Capital Expenditures

Total net capital expenditures decreased to $609.7 million in 1998 from $1,119.2 million in 1997 primarily as a result of the significant decline in oil prices received in 1998. The Company curtailed all facets of its capital expenditure program including drilling 358 net wells in 1998 versus 711 net wells in 1997 as no wells were drilled on heavier quality oil prospects in 1998. Property dispositions increased due to the sale of one property in the third quarter of 1998 for $127.5 million. That property was subject to certain production restrictions pending resolution of an agreement to share a common pool.

Finding and onstream costs for proven and probable reserves totalled $5.99 per barrel of oil equivalent in 1998 compared to $5.02 in 1997. This does not include costs incurred for projects under construction of $25.4 million nor were any reserves included for those projects. While higher than 1997, these finding and onstream costs reflect a greater percentage of the total wells drilled in 1998 directed towards natural gas and also includes significant infrastructure expenditures on the Pelican Lake project.

Capital Expenditures

($ millions)	1998	1997
Property acquisitions	**197.8**	423.4
Seismic and geological evaluation	**17.2**	38.9
Land acquisition and retention	**39.0**	98.3
Well drilling, completion, equipping	**255.2**	350.7
Pipeline and production facilities	**205.7**	240.3
Projects under construction	**25.4**	-
Head office equipment	**3.3**	4.6
Total capital expenditures	**743.6**	1,156.2
Funded by:		
Cash flow	**444.2**	503.0
Bank debt, deferred liabilities and working capital	**151.5**	597.3
Issue of capital stock	**14.0**	18.8
Property dispositions	**133.9**	37.1
	743.6	1,156.2

Year 2000

Canadian Natural has completed its review of its operations to identify systems which could be affected by the Year 2000 issue. This includes computer installations and infrastructure, software vendors, field operations and service vendors. No significant deficiencies were identified during this review and the Company feels that no significant operational problems will result, nor will any material monetary expenditures occur to correct any deficiencies due to the Year 2000 issue.

Business Environment and Outlook

Over the past ten years Canadian Natural has been guided by consistent fundamental operating principles in order to deal effectively with the risks associated with exploring, developing, producing and marketing crude oil and natural gas. These risks include the economic risk of finding and producing reserves at a reasonable cost, the financial risk of marketing those reserves at an acceptable price given market conditions, the cost of capital risk associated with securing the needed capital to carry out the Company's operations and finally, the environmental risk inherent in the oil and gas industry.

Canadian Natural remains focused in the Western Canadian Sedimentary Basin where its expertise lies. Operational control is enhanced by focusing efforts in large core areas with high-working interests and where the Company assumes operatorship of all key facilities. Product mix is diversified ranging from the production of natural gas to the production of crude oil of various grades. Marketing efforts are aimed at various markets to ensure that undue exposure to any one market does not exist. Financial instruments are utilized to help ensure targets are met and to manage exposure to uncertain commodity markets. Finally, the Company employs highly-qualified, motivated employees, who are also shareholders, to ensure these strategies are implemented successfully.

The Company's current position with respect to its various hedging arrangements are outlined in Note 8 of the consolidated financial statements. This position is under constant review and may change depending upon the prevailing market conditions. The utilization of financial hedging instruments is subject to policies established by management regarding the total position the Company is willing to assume at any one time.

Canadian Natural's capital structure mix is also monitored on a continued basis to ensure that it optimizes flexibility, minimizes cost and offers the greatest opportunity for growth. This includes the determination of a reasonable level of debt and any interest rate exposure risk which may exist.

Canadian Natural continues to employ an Environmental Management Plan to ensure the welfare of its employees, its communities and the environment as a whole are provided maximum protection. Environmental protection is of fundamental importance strengthened by established guiding principles approved by the Company's Board of Directors.

Capitalization

($ millions)	1998		1997	
	$	%	$	%
Working capital deficit (surplus)	**(57.9)**	**(1.4)**	18.5	0.4
Long-term debt	**1,425.5**	**35.0**	1,136.3	24.9
Deferred credits	**408.3**	**10.0**	386.9	8.5
Warrants at book value	**0.7**	**–**	0.7	–
Common share at December 31 market value	**2,295.6**	**56.4**	3,023.9	66.2
	4,072.2	**100.0**	4,566.3	100.0

Canadian Natural's outlook for 1999 comprises a set of ranges which are directly affected by the prospect of different commodity price forecasts and the resulting change in emphasis to the Company's capital expenditure program. Cash flow is forecasted to be in the range of $470 million to $550 million based on a corporate average natural gas price of $2.40 per thousand cubic feet and an average WTI range of US$13.50 per barrel to US$14.50 per barrel. In addition, the Company's forecasted cash flow is based on production forecasts between the range of 70,000 to 80,000 barrels per day of crude oil and 680 to 720 million cubic feet per day of natural gas production. The capital budget, excluding property acquisitions, is forecasted to be between $300 million and $350 million depending on crude oil prices. Property acquisitions are forecasted to total $200 million to $250 million. The Company expects to drill between 500 and 565 wells in 1999. The capital budget will be funded by cash flow and available lines of credit.

1999 Sensitivity Analysis

	Cash flow	Cash flow per share
	$ millions	$
Gas price ($0.10/mcf)	26.0	0.26
Gas volume (10 mmcf/d)	6.2	0.06
Oil price (WTI – U.S. $1.00)	30.0	0.30
Oil volume (1,000 bbls/d)	2.6	0.03
Interest rates (1%)	14.0	0.14

Quarterly Financial Information (unaudited)

1998 ($ millions, except per share)	1Q	2Q	3Q	4Q
Oil and gas revenue	203.2	206.9	223.8	243.7
Cash flow	95.4	102.0	119.1	127.7
Per common share	0.97	1.02	1.20	1.28
Net income	8.4	6.2	20.9	23.5
Per common share	0.08	0.07	0.21	0.23

1997 ($ millions, except per share)	1Q	2Q	3Q	4Q
Oil and gas revenue	246.1	205.2	222.4	247.4
Cash flow	143.5	109.7	118.8	131.0
Per common share	1.47	1.12	1.21	1.33
Net income	38.0	24.6	25.8	22.9
Per common share	0.39	0.25	0.26	0.24

Trading and Share Statistics

					1998	1997
	1Q	2Q	3Q	4Q	Total	Total
Trading volume (thousands)	34,096	18,006	23,393	27,115	102,610	100,538
Trading value ($ millions)	937	495	540	671	2,643	3,652
Share price ($/share)						
High	31.50	31.50	27.00	29.25	31.50	44.25
Low	24.25	22.95	18.25	20.60	18.25	28.90
Close	29.50	25.20	25.00	23.00	23.00	30.60
Market capitalization, at December 31						
Shares outstanding (thousands)					99,809	98,819
Year-end share price ($/share)					23.00	30.60
Total ($ millions)					2,296	3,024

MANAGEMENT'S RESPONSIBILITY

The accompanying consolidated financial statements and all information in the annual report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to the consolidated financial statements. Where necessary, management has made informed judgements and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or unauthorized use and financial records properly maintained to provide reliable information for preparation of financial statements.

PricewaterhouseCoopers LLP, an independent firm of Chartered Accountants, has been engaged, as approved by a vote of the shareholders at the Company's most recent Annual General Meeting, to examine the consolidated financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion. Their report is presented with the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee of the Board. This committee, which is comprised of a majority of non-management directors, meets with management and the external auditors to satisfy itself that management responsibilities are properly discharged and to review the consolidated financial statements before they are presented to the Board of Directors for approval. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

John G. Langille, President
March 2, 1999

Gregory G. Adams, Vice-President, Finance

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Canadian Natural Resources Limited as at December 31, 1998 and 1997 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, theses consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1998 and 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in Canada.

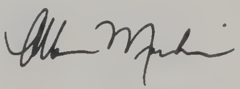
PricewaterhouseCoopers LLP
Chartered Accountants

Calgary, Alberta
March 2, 1999

CONSOLIDATED BALANCE SHEETS

As at December 31 (thousands of dollars)	1998	1997
ASSETS		
Current Assets		
Cash	**$ 92**	$ 175
Accounts receivable and prepaid expenses	**143,660**	168,816
Inventory	**50,440**	16,109
	194,192	185,100
Property, Plant and Equipment (note 2)	**3,033,628**	2,746,043
Deferred Unrealized Foreign Exchange Loss	**19,598**	–
	3,247,418	2,931,143
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**136,305**	203,650
Long-Term Debt (note 3)	**1,425,479**	1,136,276
Deferred Liabilities (note 4)	**33,318**	67,910
Deferred Income Taxes	**374,966**	318,993
	1,970,068	1,726,829
SHAREHOLDERS' EQUITY		
Capital Stock and Contributed Surplus (note 5)	**853,751**	839,732
Retained Earnings	**423,599**	364,582
	1,277,350	1,204,314
	$ 3,247,418	$ 2,931,143

Signed on behalf of the Board



Director

Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the Years Ended December 31 (thousands of dollars)	1998	1997
INCOME		
Oil and gas	$ 877,635	$ 921,114
Less: Royalties	(116,757)	(152,392)
	760,878	768,722
EXPENSES		
Production	211,899	205,638
Administration	18,820	12,769
Interest	75,989	37,017
Unrealized foreign exchange loss	1,832	8,247
Depreciation, depletion and amortization	327,402	288,794
	635,942	552,465
Earnings Before Taxes	124,936	216,257
Capital taxes	9,946	10,286
Deferred income taxes (note 6)	55,973	94,678
Net Earnings for the Year (note 7)	59,017	111,293
Retained Earnings – Beginning of Year	364,582	253,289
Retained Earnings – End of Year	$ 423,599	$ 364,582

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the Years Ended December 31 (thousands of dollars)	1998	1997
OPERATING ACTIVITIES		
Net earnings for the year	$ 59,017	$ 111,293
Non-cash items		
Depreciation, depletion and amortization	327,402	288,794
Deferred income taxes	55,973	94,678
Unrealized foreign exchange loss	1,832	8,247
Funds provided from operations (note 7)	444,224	503,012
Net change in non-cash working capital balances related to operations*	(76,520)	17,590
	367,704	520,602
FINANCING ACTIVITIES		
Increase in long-term debt	267,773	540,008
Issue of capital stock, net of expenses	14,019	18,809
Increase (decrease) in deferred liabilities	(39,855)	39,633
	241,937	598,450
INVESTING ACTIVITIES		
Expenditures on property, plant and equipment	(741,604)	(1,154,108)
Expenditures on abandonments	(2,026)	(2,180)
Net proceeds on sale of properties, plant and equipment	133,906	37,112
	(609,724)	(1,119,176)
Decrease in Cash	(83)	(124)
Cash – Beginning of Year	175	299
Cash – End of Year	$ 92	$ 175

* Consisting of changes in accounts receivable and prepaid expenses, inventory and accounts payable and accrued liabilities.

1. ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and its general partnership.

Inventory

Inventory is comprised of oilfield equipment and is valued at the lower of cost and net realizable value.

Petroleum and natural gas properties and equipment

The Company follows the full cost method of accounting for petroleum and natural gas properties and equipment wherein all costs relating to the exploration for and development of oil and natural gas reserves are capitalized. Proceeds on disposal of properties are ordinarily deducted from such costs without recognition of profit or loss except where such disposal constitutes a major portion of the Company's reserves.

The accounts reflect only the Company's proportionate interest in its exploration and production activities where such activities are conducted jointly with others.

The costs related to petroleum and natural gas properties are depleted on the unit-of production method based on the Company's total estimated proven reserves. Volumes of net production and reserves before royalties are converted to equivalent units on the basis of estimated relative energy content. In determining its depletion base, the Company includes estimated future costs to be incurred in developing proven reserves and excludes the cost of undeveloped land. Processing facilities, net of salvage, are depreciated based on the estimated useful life of each facility.

The Company carries its petroleum and natural gas properties at the lower of the capitalized cost and net recoverable value. Net capitalized cost is calculated as the net book value of the related assets less the accumulated provisions for deferred income taxes and site restoration costs. Net recoverable value is limited to the sum of future net revenues from proven properties, and the cost of unproved properties net of provisions for impairment less estimated future financing and administrative expenses and income taxes. Future net revenues are based on prices and costs prevailing at the year end.

Provision for site restoration costs

The provision for future removal and site restoration costs, as estimated by the Company, is charged against income on a straight-line basis over 20 years as part of depletion expense. The cumulative amount, net of actual expenditures, is recorded as a provision for site restoration costs.

Depreciation and amortization

Depreciation and amortization on assets other than depletable petroleum and natural gas assets are designed to amortize their cost over their estimated lives.

Foreign currency translation

Foreign currency denominated monetary assets and liabilities are translated to Canadian dollars at the exchange rate in effect at the balance sheet date. Foreign currency denominated revenues are translated to Canadian dollars at the monthly average exchange rate. Foreign exchange gains or losses are included in the determination of net income for the period except for unrealized gains or losses on long-term debt which are deferred and amortized over the remaining term of the debt.

Natural gas revenue recognition

Natural gas revenue is taken into income when reserves are produced and sold with natural gas production prepayments being taken into income on ultimate natural gas delivery or expiration of the contractual delivery period.

Income taxes

The Company follows the tax allocation method of accounting for the tax effect of the timing differences between taxable income and income as recorded in the financial statements. Timing differences arise when, for income tax purposes, the Company deducts exploration and development expenditures and capital cost allowances in amounts differing from those charged to expense in the financial statements.

Hedging

The Company uses various financial instruments to reduce its exposure to foreign exchange rates and crude oil and natural gas commodity price fluctuations. The Company does not use these instruments for trading purposes. Gains or losses on these contracts, which constitute effective hedges, are included in production revenue at the time of sale of the related product.

2. PROPERTY, PLANT AND EQUIPMENT

			1998
	Cost	**Accumulated depreciation, depletion and amortization**	**Net**
Petroleum and natural gas properties, plant and equipment	**$ 4,002,772**	**$ 977,571**	**$ 3,025,201**
Office equipment and leasehold improvements	**15,232**	**6,805**	**8,427**
	$ 4,018,004	**$ 984,376**	**$ 3,033,628**

			1997
	Cost	Accumulated depreciation, depletion and amortization	Net
Petroleum and natural gas properties, plant and equipment	$ 3,398,395	$ 660,377	$ 2,738,018
Office equipment and leasehold improvements	11,912	3,887	8,025
	$ 3,410,307	$ 664,264	$ 2,746,043

No administrative overhead relating to exploration and development has been capitalized during 1998 and 1997. Unproven land costs of $296,013,537 (1997 – $286,070,398) have been excluded from the Company's depletion base.

3. LONG-TERM DEBT

	1998	1997
Bank credit facilities		
Bankers' acceptances	**$ 823,568**	$ 679,598
U.S. $ Bankers acceptances ($196,000 U.S.) – (1997 – $98,000 U.S.)	**299,978**	140,052
Credit facility bearing interest at prime lending rates	**2,721**	17,970
Commercial paper	**299,212**	298,656
	$ 1,425,479	$ 1,136,276

Bank credit facilities

As at December 31, 1998, the Company has a total unsecured credit facility of $1,600,000,000 (1997 - $1,600,000,000) comprised of a $100,000,000 operating demand facility and a $1,500,000,000 extendible revolving credit facility. The bank facility provides that borrowings may be made by way of operating advance, prime loans, bankers' acceptances, U.S. base rate loans or U.S. dollar LIBOR advances which bear interest at the bank's prime rates or at money market rates plus stamping fee. Principal repayments are not required provided certain covenants with respect to the Company's financial ratios are maintained. The extendable revolving credit facility has a five year term beginning on December 18, 1998. Based upon the remaining credit facility, the indebtedness outstanding at December 31, 1998 and the Company's cash flow, no current portion of the bank loan is required to be paid and therefore no current portion of the bank loan has been recognized.

Commercial paper

Commercial paper is issued in the form of unsecured discounted notes for terms that do not exceed one year. Commercial paper has been classified as long-term debt since the Company has the ability to replace it with borrowing under the revolving facilities and it is management's intent that this debt be continually renewed throughout the next fiscal year.

4. DEFERRED LIABILITIES

	1998	1997
Provision for Site Restoration Costs	**$ 33,318**	$ 28,055
Term Royalty	**–**	39,725
Other	**–**	130
	$ 33,318	$ 67,910

The term royalty was repayable from future production on certain properties. The unpaid portion of this term royalty bore interest at the prime lending rate of a Canadian chartered bank. The term royalty was paid out on January 5, 1999 and is included in current liabilities.

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

(a) Authorized –

200,000 Class 1 preferred shares with a stated value of $10 each

Unlimited number of common shares

(b) Capital stock and contributed surplus –

	1998	1997
Common shares issued	**$ 851,960**	$ 837,941
Contributed surplus	**1,050**	1,050
Warrants	**741**	741
	$ 853,751	$ 839,732

(c) Issued – 1998

	Number of Shares	Amount
Common shares		
Balance - December 31, 1997	**98,818,977**	**$ 837,941**
Exercise of stock options	**990,271**	**14,019**
Balance - December 31, 1998	**99,809,248**	**$ 851,960**
Warrants		
Balance - December 31, 1997	**750,000**	**$ 741**
Issued during year	**–**	**–**
Balance - December 31, 1998	**750,000**	**$ 741**

(d) Issued – 1997

	Number of Shares	Amount
Common shares		
Balance - December 31, 1996	97,382,901	$ 819,866
Exercise of stock options	1,436,076	18,075
Balance - December 31, 1997	98,818,977	$ 837,941
Warrants		
Issued during year	750,000	$ 750
Issuance costs (net of deferred tax)	–	(9)
Balance - December 31, 1997	750,000	$ 741

(e) Stock options

Pursuant to the Company stock option plan, at December 31, 1998, options granted and outstanding are exercisable on 9,724,464 common shares (1997 – 7,399,347) [including 2,653,500 to 11 officers and directors (1997 – 2,302,800 to 10 officers and directors)] at prices from $11.25 to $38.95 (1997 – $7.625 to $38.95) per share. The options expire at various dates to December 2004.

(f) Warrants

In 1997, the Company issued 750,000 warrants at a price of $1.00 each. Each warrant entitles the holder to acquire one common share of the Company at a price of $36.70 per common share until April 9, 1999.

6. DEFERRED INCOME TAXES

The provision for deferred income taxes is different from the amount computed by applying the combined statutory Canadian federal and provincial income tax rates to earnings before taxes.

The reasons for the difference are as follows:

	1998	1997
Statutory tax rate	44%	44%
Tax provision at statutory rate	$ 54,972	$ 95,178
Effect on taxes of -		
Non-deductibility of Crown royalties, lease rentals and mineral taxes	36,422	53,436
Non-tax base depletion	22,641	14,059
Alberta royalty tax credit	(612)	(532)
Resource allowance	(57,450)	(67,463)
	$ 55,973	$ 94,678

7. COMMON SHARE DATA (see note 5 [e and f])

Common share data, using the weighted average number of common shares outstanding of 99,331,028 (1997 – 98,042,402) is :

		1998	1997
Earnings	– basic	$ 0.59	$ 1.14
	– fully diluted	*	*
Funds provided from operations	– basic	$ 4.47	$ 5.13
	– fully diluted	*	*

* The effect of dilution on earnings per share and funds provided from operations per share is anti-dilutive in 1997 and 1998.

8. FINANCIAL INSTRUMENTS

The Company's financial instruments recognized in the consolidated balance sheets consist of cash, accounts receivable, current liabilities, long-term debt and deferred liabilities.

The estimated fair values of recognized financial instruments have been determined based on the Company's assessment of available market information and appropriate valuation methodologies; however, these estimates may not necessarily be indicative of the amounts that could be realized or settled in a current market transaction.

The carrying value of cash, accounts receivable, current liabilities, long-term debt, and deferred liabilities approximate their fair value.

The estimated fair value of the derivative financial instruments are as follows:

	1998		1997	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Derivative financial instruments	$ –	$ (84,555)	$ –	$ (36,030)

The Company uses certain derivative financial instruments to manage its foreign currency and commodity price exposures. These financial instruments are entered into solely for hedging purposes and are not used for trading or other speculative purposes. The Company is exposed to certain losses in the event of non-performance by counterparties to derivative instruments; however, the Company minimizes its financial credit risk by entering into agreements with only highly rated financial institutions. The Company is also exposed to certain losses by non-performance on the part of purchasers of crude oil and natural gas. However, the Company minimizes this credit risk by entering into sales contracts with only highly rated entities.

The following summarizes transactions outstanding at December 31, 1998.

(i) Natural Gas

At December 31, 1998 the Company had hedged 60,600 mmbtu per day at Aeco at an average price of Cdn. $2.43 per mmbtu through price swaps maturing in 1999, and an additional 7,900 mmbtu per day in the year 2000 at an average price of Cdn. $1.66 per mmbtu. The 1999 volume includes 94,800 mmbtu per day of Aeco winter gas at an average price of Cdn. $2.72 per mmbtu maturing in the first quarter of 1999.

At December 31, 1998 the Company had hedged 54,200 mmbtu per day at Sumas at an average price of Cdn. $2.74 per mmbtu through price swaps maturing in 1999, and in addition hedged 30,000 mmbtu per day at an average price of Cdn. $2.85 per mmbtu for 2000 through 2002 and an additional 25,000 mmbtu per day at an average price of Cdn. $2.85 per mmbtu for 2003.

At December 31, 1998 the Company had hedged 73,800 mmbtu per day at Henry Hub at an average NYMEX price of U.S. $1.99 per mmbtu through price swaps maturing in 1999. For 2000 and 2001 the corresponding volumes and prices are 81,600 mmbtu - U.S. $2.00, and 35,000 mmbtu - U.S. $1.74 respectively. An additional 10,000 mmbtu per day is hedged for 2002 to 2005 at an average price of U.S. $1.72 per mmbtu, and 8,300 mmbtu per day for 2006 at an average price of U.S.$1.72 per mmbtu.

(ii) Foreign Currency

At December 31, 1998 the Company had fixed the exchange rate on U.S. dollars through currency swaps as follows: 1999 – U.S. $12.8 million per month at an average exchange rate of 1.3425; 2000 – U.S. $12.6 million per month at an average exchange rate of 1.3415; 2001 – U.S. $11.3 million per month at an average exchange rate of 1.3334; and 2002 – U.S. $0.3 million per month at an average exchange rate of 1.3740. The amounts fixed approximate the amounts of U.S. cash received each month from the sale of crude oil and natural gas.

9. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of suppliers or other third parties, will be fully resolved.

10. DIFFERENCE BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), which differ in some respects from GAAP in the United States. The significant differences in GAAP, as applicable to these consolidated financial statements and notes, are described in the Company's Form 40-F report, which is filed with the United States Securities and Exchange Commission.

Year Ended December 31	1998	1997	1996
FINANCIAL ($ thousands, except per share data)			
Revenues			
Gross revenue	**877,635**	921,114	636,810
Oil and gas revenues, net of royalties	**760,878**	768,722	532,347
Interest income	**–**	–	–
Expenses			
Production	**211,899**	205,638	129,901
General and administrative	**18,820**	12,769	7,686
Interest	**75,989**	37,017	26,693
Depletion, depreciation and amortization	**327,402**	288,794	182,431
Unrealized foreign exchange loss (gain)	**1,832**	8,247	36
Provision for taxes	**65,919**	104,964	90,574
Cash flow from operations	**444,224**	503,012	359,741
Per share*	**4.47**	5.13	4.32
Net earnings	**59,017**	111,293	95,026
Per share*	**0.59**	1.14	1.14
Balance Sheet Information			
Capital expenditures (net)	**609,724**	1,119,176	1,203,609
Working capital (deficiency)	**57,887**	(18,550)	(836)
Total assets	**3,247,418**	2,931,143	2,062,633
Long-term debt	**1,425,479**	1,136,276	588,021
Shareholders' equity	**1,277,350**	1,204,314	1,074,205
Common shares outstanding (000s)*	**99,809**	98,819	97,383
Weighted average shares outstanding (000s)*	**99,331**	98,042	83,246
Number of Employees (Dec 31)			
Office	**335**	339	293
Field	**212**	203	135
Total	**547**	542	428
OPERATING			
Reserves (proven and probable)			
Crude oil and NGLs (mbbls)			
Proven	**287,005**	270,421	140,931
Probable	**97,188**	81,008	49,708
Total	**384,193**	351,429	190,639
Natural gas (bcf)			
Proven	**1,905**	1,733	1,605
Probable	**311**	363	362
Total	**2,216**	2,096	1,967
Land Holdings (000s)			
Gross acres	**8,586**	8,514	7,514
Net acres	**7,156**	6,938	5,825
Production			
Crude oil and NGLs (bbls/d)	**75,744**	70,619	37,399
Natural gas (mmcf/d)	**672.6**	625.5	499.3
Average crude oil and NGLs price ($/bbl)	**12.93**	18.82	23.52
Average natural gas price ($/mcf)	**2.12**	1.91	1.71
Drilling activity (net wells)			
Crude oil wells	**106.5**	442.9	208.9
Natural gas wells	**193.2**	199.6	128.1
Injection	**15.5**	1.5	1.0
Dry and abandoned	**42.7**	67.0	62.9
Total	**357.9**	711.0	400.9
Success rate (%)	**88**	91	84

* Restated to reflect two for one stock split in June 1993.

1995	1994	1993	1992	1991	1990	1989
281,065	259,014	157,930	77,031	40,058	20,825	6,202
245,419	221,182	135,419	66,038	34,892	18,061	5,377
–	–	141	166	263	239	77
63,914	51,309	30,867	18,374	9,963	5,031	1,439
4,327	2,775	3,029	1,807	1,248	767	429
20,940	12,325	6,495	3,837	2,537	1,423	329
82,413	57,121	35,023	18,448	10,123	3,953	1,038
(43)	–	–	–	–	–	–
31,467	43,437	25,831	9,815	3,254	2,107	511
153,621	152,765	94,210	41,776	21,324	11,023	3,257
2.22	2.39	1.64	0.81	0.50	0.30	0.10
42,401	54,215	34,315	13,923	8,030	5,019	1,708
0.61	0.85	0.60	0.27	0.19	0.14	0.05
238,841	331,153	271,204	89,998	59,206	32,915	9,090
9,712	4,035	2,204	(1,979)	(360)	(1,175)	(475)
900,429	737,800	436,866	173,186	99,763	47,153	6,299
237,700	242,856	189,165	60,478	35,561	14,938	2,842
496,348	356,182	171,213	81,451	45,224	20,130	6,299
74,074	66,709	59,862	54,441	49,044	41,887	34,959
69,319	63,873	57,596	51,475	42,774	37,044	31,801
159	118	87	41	27	19	9
46	44	36	20	4	–	–
205	162	123	61	31	19	9
53,277	43,201	29,164	13,477	6,953	2,497	1,530
23,476	14,301	13,466	5,173	2,349	794	147
76,753	57,502	42,630	18,650	9,302	3,291	1,677
924	894	666	333	188	105	43
208	175	101	25	22	7	3
1,132	1,069	767	358	210	112	46
4,423	3,764	3,014	1,054	672	438	306
3,334	2,714	1,873	738	472	248	135
16,836	12,820	8,005	4,184	1,681	966	436
304.8	237.5	164.8	93.5	57.3	25.3	6.0
19.82	18.18	18.17	20.84	21.39	22.65	19.37
1.43	1.99	1.72	1.31	1.28	1.39	1.43
112.5	43.7	32.8	9.8	11.0	1.0	1.2
73.9	138.1	68.2	19.8	12.7	13.4	5.3
–	–	–	–	–	–	–
22.3	44.5	27.6	21.5	9.0	4.7	3.2
208.7	226.3	128.6	51.1	32.7	19.1	9.7
89	80	79	58	72	75	67

CORPORATE INFORMATION

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Petroleum Executive
Calgary, Alberta

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President
Edco Financial Holdings Ltd.
Calgary, Alberta

James T. Grenon
Managing Director
Tom Capital Associates Inc.
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Canadian Natural Resources Limited
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Tim S. McKay
Vice-President, Production

Lyle G. Stevens
Vice-President, Exploitation

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Auditors

PricewaterhouseCoopers LLP
Calgary, Alberta

Evaluation Engineers

Sproule Associates Limited
Calgary, Alberta

Stock Listing

The Toronto Stock Exchange
Symbol: CNQ

Notice of Annual Meeting
The annual meeting of shareholders will be held at 3:00 p.m. on Monday, May 10, 1999 in the Ballroom of the Metropolitan Centre, Calgary, Alberta. All shareholders are invited to attend.

Created by Result Communications Ltd.

Printed in Canada

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